

ENCOURAGE AND STIMULATE THE PRODUCTION AND
CONSERVATION OF COAL

JULY 22, 1959.—Ordered to be printed

Mr. MURRAY, from the Committee on Interior and Insular Affairs,
submitted the following

R E P O R T

[To accompany H.R. 6596]

The Senate Committee on Interior and Insular Affairs, to whom was referred the bill, H.R. 6596, to encourage and stimulate the production and conservation of coal in the United States through research and development by creating a Coal Research and Development Commission, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

COMMITTEE AMENDMENTS

The committee adopted four amendments as follow:

(1) Section 3 was amended by striking the words "as an independent agency in the executive branch", making section 3(a) read, "There is hereby created a Coal Research and Development Commission", etc.

(2) In section 3 the sentence, "The Commission shall be located for administrative purposes in the Department of the Interior", was added. The purpose of this amendment is to give the Commission a home and to provide it with housekeeping facilities. It is in nowise intended that the Department of the Interior shall exercise any control over activities of the Commission but rather that it shall, if requested by the Commission, provide it with budgetary and personnel services and facilities. There is adequate precedent for such action, notably the Court of Military Appeals which by statute is "located for administrative purposes in the Department of Defense" (art. 67, Uniform Code of Military Justice; 10 U.S.C. 867).

(3) Subsections (b) and (c) of section 6 were amended by striking out all of the House of Representatives language and inserting in lieu thereof an amendment to the first section of the act of August 1, 1947 (Public Law 313, 80th Cong.), which adds to that act authority for the Coal Research and Development Commission to establish and

fix the compensation for not more than 11 scientific or professional positions in the Commission, one of which shall be designated as Research Director.

This amendment was suggested by the House Post Office and Civil Service Committee so as to bring the establishment and fixing of compensation for scientific and professional positions called for by the bill within the purview of Public Law 313, 80th Congress, rather than to spell out in the bill the rates of compensation so as to conform with the usual practice in such matters.

This amendment is perfecting in nature and does not alter the substance of the bill as passed by the House.

(4) Section 7 was amended so as to provide that the Commission shall submit its annual reports to "the Secretary of the Interior for transmittal to" the President and the Congress.

It was deemed desirable to adopt this latter amendment in view of the fact that the committee was also providing that the Commission shall be located for administrative purposes in the Department of the Interior.

SUMMARY OF H.R. 6596

H.R. 6596 creates a new independent agency to be known as the Coal Research and Development Commission. The Commission will consist of three members appointed by the President with the advice and consent of the Senate for 3-year terms.

The salaries of the Chairman (\$20,500 per year) and the Commissioners (\$20,000 per year) would be established by the addition of these positions to those provided for in the Federal Executive Pay Act of 1956 (70 Stat. 736). The principal office of the Commission would be in the District of Columbia. The Commissioners would be selected from persons experienced in industrial-type research activities. The Commissioners must give their full time to the work of the Commission, and they and their employees may have no financial interest in any firm engaged in coal mining or related or competitive business.

The Commission would be directed to carry out a research program to (1) develop new and more effective uses for coal, (2) improve and expand existing uses for coal, (3) reduce the cost of coal production and distribution, and (4) emphasize those developments in uses for coal of particular value to small coal producers. The Commission would be authorized to (1) conduct research projects, (2) contract for, sponsor, cosponsor, and promote the coordination of research projects carried out by others, and (3) collect and promote the coordination of all available coal research information. The Commission would be prohibited from conducting research projects itself unless it is unable reasonably to contract or otherwise provide for such research by others. No research would be undertaken or conducted unless all of the information developed therein would become available to the public.

Cooperation to the fullest extent possible with all other research agencies, governmental and nongovernmental, is directed, duplication of research by the Commission is prohibited, and consultation on proposed projects is required.

The Commission is authorized to create advisory committees to assist it. Before doing so, it must seek the advice of other agencies of the Government, viz, the Department of Justice, the Federal Trade Commission, and the Small Business Administration. Criteria con-

cerning geographic distribution of members, provision of a cross section of the industry, avoidance of dual representation from individually controlled firms, conduct of meetings, and copies of minutes are set out in the bill. The advisory board members appointed from private life would receive \$50 per diem.

The Commission's employees generally would be appointed and paid in accordance with the civil service laws and the Classification Act of 1949, as amended. Not more than 11 scientific or professional positions could be excepted from the Classification Act, at salaries from \$12,500 to \$19,000.

Reports would be submitted by the Commission through the Secretary of the Interior to the President and Congress semiannually.

An appropriation of not more than \$2 million is authorized by the bill for the fiscal year beginning July 1, 1959. Additional sums as needed for the following years are also authorized.

SCOPE OF RESEARCH UNDER H.R. 6596

The research and development program undertaken by the Commission under H.R. 6596 will be, for the most part, complementary to the research performed by the Bureau of Mines. The Commission will not conduct any research which duplicates research being conducted by the Bureau of Mines or by any other agency of the Federal Government or of a State government. Moreover, the Commission itself will not conduct research projects unless it is unable to contract or otherwise provide for such research to be conducted by any other qualified organization. To the extent possible, the Commission will contract for, sponsor, cosponsor, and promote the coordination of research projects conducted by industrial associations, educational institutions, qualified nonprofit organizations, and private consulting firms, and other departments, agencies, and independent establishments of the Federal Government.

H.R. 6596 provides a coal research and development program which, if adequately financed and vigorously conducted, should produce results which will substantially improve the economic position of the coal-mining industry at large and prove highly beneficial to consumers of coal, coal-mine workers, distressed coal-mining communities, and to the general public.

The committee calls attention to a list of 209 research possibilities for bituminous coal appearing on pages 69-81 of House Report No. 1263. Many of those listed hold attractive short-range possibilities. Also of interest is Bureau of Mines Information Circular 7754, May 1956, "Outlook and Research Possibilities for Bituminous Coal." This publication lists 209 specific coal research project possibilities. The publication, after reviewing coal research projects underway in industry, institutions, and government agencies in 1955, states—

Total annual research and development expenditures for coal are shown to exceed \$17 million. This is, of course, a minimum amount, because some organizations may have been overlooked and eight of those contacted did not reply.

* * * By way of comparison, 1953 research expenditures (according to the National Science Foundation) by the petroleum industry were \$145.9 million; textile industries,

\$280 million; rubber products, \$53.6 million; and chemical industry, \$361.1 million.

In testimony before the Subcommittee on Mines and Mining, March 6, 1959, the Director of the Bureau of Mines indicated that some changes have occurred in coal research possibilities since Circular 7754 was published, particularly along lines of the degassification of the deeper coal seams. The Director's testimony was that, if an independent coal research commission is established, the Bureau of Mines would expect to carry on with its own coal research projects, perhaps on an increased scale, to utilize the facilities and personnel it has available to conduct a "fairly heavy schedule of research work."

H.R. 6596, as has already been pointed out, forbids the Coal Research and Development Commission to duplicate research being carried on by other agencies. The committee expects the Secretary of the Interior to see that the Bureau of Mines, on its part, does not attempt to duplicate the work of the Commission. Doubtless an amicable understanding on the precise lines to be pursued by each will be arrived at. In any event, the means of preventing duplication, if any threatens to take place, are available to the agencies to which both the Commission and the Bureau will be answerable—the President and the Bureau of the Budget in the executive branch and the Interior and Insular Affairs Committees and the Appropriations Committees in the legislative branch.

NEED FOR THE LEGISLATION

Very little of the coal research conducted by the U.S. Bureau of Mines has been directed toward assisting the coal-mining industry with its immediate or short-range research and development problems. The Bureau's work on coal is largely concentrated in the area of long-range applied research.

It may be noted from table 27, page 65, of the House committee's report on the findings and recommendations of the Special Subcommittee on Coal Research (H. Rept. 1263), that approximately two-thirds of the coal research conducted by the Bureau of Mines has been and continues to be on long-range studies involving synthetic liquid and gaseous fuels. Much of the remaining one-third of the Bureau's coal-research activities also involves long-range studies. The committee notes from House Report No. 1263 that the investments in plant facilities and working capital required for the economic production of synthetic liquid and gaseous fuels will be so enormous that it is extremely unlikely that any independent coal-mining company in existence today would be financially able to undertake such a venture. Only a few of the largest producers may be able to participate as minor participants in such future undertakings. For this reason, it appears that little if any of the Bureau's work on synthetic liquid and gaseous fuels will benefit the coal-mining industry at large.

The committee notes, in this connection, that in 1955 there were approximately 4,000 bituminous and lignite coal producers operating 7,856 mines in 26 States and Alaska, and there were some 800 producers of anthracite in Pennsylvania with an undetermined number of operations. At least 98 percent of these producers are small- and medium-sized operators.

A strong, healthy, coal-mining industry is acknowledge to be essential to the economic welfare and security of the United States. The Nation's coal industry is not strong and healthy. Instead, our coal industry at large has long been economically ill and highly vulnerable to economic recessions and the inroads of competitive fuels, including imported residual oil. It is because of the Bureau of Mines' exclusion of research and development activities which would aid in promptly improving and strengthening an impoverished industry that the coal-mining industry at large has found it necessary to advocate and urge that an expanded coal research and development program designed to meet its needs be conducted by a new agency of the Federal Government separate and apart from the Bureau of Mines and the Department of the Interior. H.R. 6596, which has the support of the coal industry, is designed to meet this need.

The committee also observes that within the coal-mining industry only the largest producers have the means to conduct coal utilization research on an effective scale. Since much of the research work carried on by such companies is for the purpose of gaining competitive advantages, the technical knowledge and benefits gained from such research activities ordinarily do not become available to others as they would if conducted by a Government agency.

The financial condition of the coal-mining industry at large and its inability to finance and conduct effective research may be determined from table 12, page 34, of House Report No. 1263. From 1925 to 1953, inclusive, the bituminous coal-mining industry experienced a net loss in 13 of the 27 years for which data were available. In 1953, 1,572 corporations which produced an estimated 350 million tons of bituminous coal earned an average profit after Federal taxes of a little under $3\frac{3}{4}$ cents per ton or a total of \$12,750,000. As a matter of fact, 940 of these corporations reported no net income and showed a deficit of \$31,192,000. The profit and loss position of the several thousand unincorporated producers is not compiled by the U.S. Bureau of Internal Revenue. However, it seems unlikely that the earnings records of such producers were better than those of the incorporated companies.

The committee finds that the conclusions reached by the Special Subcommittee on Coal Research, as set forth in House Report No. 1263, are still valid. The subcommittee concluded that—

The coal resources of the United States represent a vast storehouse of mineral wealth that has barely been tapped. These resources should serve the Nation well for several centuries to come.

The coal-mining industry, upon which the Nation is dependent for the extraction of this mineral wealth, has been impoverished and weakend by circumstances largely beyond its control. The coal industry, mine labor, and mining communities have not recovered from the impact caused by the displacement of coal by oil and gas in several major fuel markets. Although the consumption of coal by the electric utility industry has partially offset the loss of large coal-consuming markets, economic ills continue to plague the coal-mining industry, widespread unemployment continues among coal miners, and economic dislocations experienced

by many coal-mining communities and areas have not been alleviated.

The outlook for the existing coal industry as a whole, while appearing brighter, is clouded by uncertainties. Forecasts predict a considerable increase in the demand for electric energy which, in turn, would result in the consumption of much larger amounts of coal by the electric utility industry. On the other hand, the Atomic Energy Commission is spending hundreds of millions of dollars on a large nuclear reactor program for the avowed purpose of developing commercial reactors which will produce electricity more cheaply than coal-fired steam generating plants.

The present and projected expansion of coal mining operations owned and operated by large consumers of coal such as iron and steel and electric utility companies and by a number of the Nation's largest independent coal producers, plus the trend of consolidations and mergers among the larger coal companies, together with the continuing displacement of coal by oil and gas in certain markets, can be expected to have an adverse effect on much of the remainder of the coal-mining industry and to spell disaster for many coal producers over the short-term future unless new uses for coal are developed and/or means are found to regain a substantial portion of former markets lost to oil and gas—provided such new uses are of such a nature as would permit the average-size coal producer to participate as a supplier.

The research opportunities for developing new and more effective uses for coal and for improving the competitive position of coal in existing markets are virtually unlimited. Excellent possibilities exist for such accomplishments and for converting a weak and highly vulnerable coal industry into one that is strong and prosperous through a dynamic and greatly expanded short-range program of coal research and development.

The amount of coal research conducted in the United States has been wholly inadequate to meet the needs of the coal mining industry and is very small in comparison to the amount undertaken by certain other large industries—amounting to about \$17 million in 1955 as against the \$146 million spent on research by the petroleum industry in 1953 and the \$361 million spent by the chemical industry in the same year. Unfortunately, the coal-mining industry is not in a position to undertake a coal research program of the magnitude required to meet its short-range needs and the Bureau of Mines, as a matter of policy, does not concentrate its coal research activities on efforts to solve the short-range problems of the industry. Most of the Bureau's work on coal, which now amounts to about \$5 million annually, is in the area of long-range research and is of such a nature that it appears unlikely the average coal producer will be benefited by it.

An adequately financed coal research and development program, if so organized and directed as to concentrate intensive research efforts on promising short-range possibili-

ties for developing new and more effective uses for coal, for improving and expanding present uses, and for reducing the cost of coal production and distribution, could be expected to produce substantial results highly beneficial to the coal-mining industry, to consumers of coal, to coal-mine workers, to distressed coal-mining communities, and to the general public. The economy and security of the United States would be enhanced. Therefore, it would be in the national interest for the Federal Government to undertake the financing and management of such a program without delay.

BACKGROUND

In the 85th Congress this committee reported out and the Senate passed S. 4248, and the House Interior Committee reported out H.R. 9460, both of which called for the establishment of a Coal Research and Development Commission and both of which were similar in substance to H.R. 6596. S. 4248 and H.R. 9460, both of which reached the House Calendar late in the session, died there.

The House committee, prior to reporting out H.R. 6596, held lengthy hearings on not only that bill but also on six other bills similar in general purpose but differing in means of accomplishment.

The Senate Interior and Insular Affairs Committee held hearings on S. 49, identical to H.R. 6596, before that bill was amended by the House committee, and also on S. 1362 which would authorize the Secretary of the Interior, acting through the Bureau of Mines, to contract for coal research and authorize an appropriation of \$20 million to be used to carry out the purposes of the act for the fiscal year beginning July 1, 1959.

After hearing and considering the testimony of industry witnesses and various Members of the Congress, it became the judgment of the committee that the objectives sought can best be attained by creating a new Commission with the sole duty of conducting research in coal and its wider utilization.

Attention is called to the fact that the Director of the Bureau of Mines testified in favor of S. 1362 and urged that it be enacted rather than a bill creating a separate Coal Research and Development Commission.

The Department of the Interior's report on H.R. 6596 follows:

U.S. DEPARTMENT OF THE INTERIOR,
OFFICE OF THE SECRETARY,
Washington, D.C., March 4, 1959.

HON. WAYNE N. ASPINALL,
*Chairman, Committee on Interior and Insular Affairs,
House of Representatives, Washington, D.C.*

DEAR MR. ASPINALL: This responds to your request for the views of this Department on H.R. 3375, H.R. 3620, and H.R. 3687, bills to encourage and stimulate the production and conservation of coal in the United States through research and development by authorizing the Secretary of the Interior, acting through the Bureau of Mines, to contract for coal research and for other purposes; H.R. 104, H.R. 130, H.R. 791, H.R. 892, H.R. 950, H.R. 1179, H.R. 3621, H.R. 3639, and H.R. 3686, bills to encourage and stimulate the production and conservation of coal in the United States through research and develop-

ment by creating a Coal Research and Development Commission, and for other purposes; and H.R. 1047, a bill to create a National Coal Research and Development Commission.

H.R. 3375, H.R. 3620, and H.R. 3687 direct the Secretary of the Interior, among other things, (1) to develop through research new and more efficient methods of mining, preparing, and utilizing coal, (2) to contract for, sponsor, cosponsor, and promote the coordination of research with recognized interested groups, and (3) to establish technical advisory committees to assist him in a research program. It should be noted that this Department already has authority to conduct research programs within the Bureau of Mines. It does not, however, have authority to contract for research projects. The remaining bills cited above would create as an independent agency in the executive branch a Coal Research and Development Commission with responsibility to formulate and execute an overall research program. Such Commission would have research authority similar to that which this Department either already has or would be provided by H.R. 3375, H.R. 3629, and H.R. 3687.

This Department endorses the objectives of the proposed legislation for encouraging and stimulating the production and conservation of coal in the United States through research and development. However, it is the opinion of this Department that these objectives can be accomplished more effectively through greater utilization of existing Government organizations rather than by the creation of a new agency. Existing agencies provide for a more appropriate degree of control by the Congress and the Executive over expenditure of Federal funds than is contemplated by the proposed creation of a commission. Furthermore it is doubtful whether an independent commission would be effective if divorced from the major executive department having the basic responsibility for research in this field. For these reasons, we are opposed to the creation of an independent commission. We favor the approach proposed by H.R. 3375, H.R. 3620, and H.R. 3687. However, we recommend that the language "acting through the Bureau of Mines", which appears in the title and in lines 3 and 4 of page 1, be deleted to conform to the powers of delegation vested in the Secretary of the Interior by Reorganization Plan No. 3 of 1950 (64 Stat. 1262).

The successful conclusion of research programs will undoubtedly result in improving the economic position of the coal industry. This Department is in accord with the proposition of assisting the coal industry through research, and, through its Bureau of Mines, does conduct substantial research on safety, production, utilization, and conservation of coal.

Many projects, not presently under investigation, have been proposed for expansion of coal research activities both by government and nongovernment groups. There is no question but that much remains to be done in the field of coal research, and there is need for further development of new methods and equipment. To accomplish additional research activities, it is evident that additional Federal funds must be made available. This, in turn, implies a measure of strong Federal supervision of expenditures of such funds.

It is the view of this Department, therefore, that the basic objective of the proposed legislation would be accomplished more economically and efficiently through the use of existing technical and administrative

staffs with contracting authority provided by H.R. 3375, H.R. 3620, and H.R. 3687, if amended to vest this authority fully in the Secretary of the Interior.

While we are advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee, we are further advised that in the event of enactment that Bureau can make no commitment as to the submission of an estimate of appropriations for additional funds for coal research.

Sincerely yours,

ROYCE A. HARDY,
Assistant Secretary of the Interior.

The House committee in reporting H.R. 6596 made the following comments:

DEPARTMENT REPORTS

The committee received a "no comment" report from the Federal Trade Commission, which stated, however, that it would be pleased to advise the proposed Coal Research and Development Commission as to the creation of advisory committees.

The Small Business Administration stated that the economic depression currently afflicting the coal-mining industry "is a small business tragedy." The Administrator stated that he strongly favors the objective of the bills, deferring, however, to the views of the Secretary of the Interior concerning the organizational and administrative aspects.

The Civil Service Commission offered no objection to the personnel provisions of H.R. 3686. The personnel provisions of H.R. 6596 are identical with those of H.R. 3686.

The Department of Justice made no recommendations as to the enactment of this legislation but offered several amendments which were adopted by the committee.

The Bureau of the Budget recommended against the establishment of an independent coal research and development commission. It also offered objections of a more detailed nature. All of these, except one, resulted in committee amendments. The exception is the Bureau of the Budget's objection to what it termed "overly rigid standards governing the utilization of advisory committees." The Bureau of the Budget did not specify the respects in which it believes these standards to be "overly rigid." The committee believes that the minimum standards expressed in section 5(d) will be satisfactory for the operation of the advisory committees and that close adherence to them will obviate criticism of the advisory committee's operations on antitrust or other public policy grounds.

The Department of the Interior endorses the general objectives of H.R. 6596. However, the Department opposes the establishment of an independent Coal Research and Development Commission and suggest that the Secretary be authorized to conduct an expanded research program.

APPROPRIATION AUTHORIZATION

Section 8(a) of H.R. 6596 authorizes the appropriation of not more than \$2 million to be used to carry out the purposes of the act for the first fiscal year beginning July 1, 1959.

Subsection 8(b) authorizes the appropriation of such sums as may be necessary to carry out the purposes of the act for each fiscal year after June 30, 1960.

The committee points out that it is impossible at this time to determine accurately the cost of the program. After the first year the annual cost will be governed by the need as determined by the Congress. However, the committee observes that in order to conduct special research and development projects effectively and economically, and in order to obtain and retain highly qualified research personnel, appropriated funds should be made available on a continuing basis from year to year. The continuity of such projects is imperative.

COMMITTEE RECOMMENDATION

The committee recommends the enactment of H.R. 6596, as amended. Action by the committee was unanimous.

CHANGES IN EXISTING LAW

In compliance with the Cordon rule (subsec. (4) of rule XXIX of the Standing Rules of the Senate), changes in existing law made by the bill, H.R. 6596, as reported, are shown as follows (existing law proposed to be repealed is enclosed in black brackets, additions to existing law are italicized):

FEDERAL EXECUTIVE PAY ACT OF 1956 (70 STAT. 736)

* * * * *

SEC. 105. The annual rate of basic compensation of each of the offices or positions listed in this section shall be \$20,500.

(1) Chairman, Civil Aeronautics Board.

* * * * *

(32) *Chairman, Coal Research and Development Commission.*

SEC. 106. (a) The annual rate of basic compensation of each of the offices or positions listed in this subsection shall be \$20,000.

* * * * *

(45) Members of boards and commissions (excluding chairmen):

Civil Aeronautics Board (4).

United States Civil Service Commission (2).

Council of Economic Advisers (2).

Board of Directors of the Export-Import Bank of Washington (3).

Federal Communications Commission (6).

Federal Deposit Insurance Corporation (1).

Board of Governors of the Federal Reserve System (6).

Federal Maritime Board (2).

Foreign Claims Settlement Commission of the United States (2).

Federal Power Commission (4).

Federal Trade Commission (4).

Federal Home Loan Bank Board (2).

Interstate Commerce Commission (10).
 National Labor Relations Board (4).
 National Mediation Board (2).
 Railroad Retirement Board (2).
 Renegotiation Board (4).
 Securities and Exchange Commission (4).
 Subversive Activities Control Board (4).
 Board of Directors of the Tennessee Valley Authority (2).
 United States Tariff Commission (5).
Coal Research and Development Commission (2).

ACT OF AUGUST 1, 1947 (PUBLIC LAW 313, EIGHTIETH CONGRESS),
 AS AMENDED

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) * * **

* * * * *

(i) The Coal Research and Development Commission is authorized to establish and fix the compensation for not more than eleven scientific or professional positions in the Commission, of which one shall be designated as Research Director, each such position being established to effectuate those research and development functions of the Commission (including scientific, technical, and economic research and the practical application of that research) which require the services of specially qualified personnel.

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